GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7215
ANSWERED ON:13.05.2005
ASSETS RECONSTRUCTION COMPANIES
Singh Shri Rajiv Ranjan (Lalan);Thakkar Smt. Jayaben B.

Will the Minister of FINANCE be pleased to state:

(a) whether Assets Reconstruction Company India Ltd. has purchased the non-performing assets worth Rs. 12,000 crore for a meagre amount of Rs. 2,500 crore;

(b) if so, the details thereof;

(c) the reasons for selection of the said company for sale of the aforesaid non-performing assets;

(d) whether the said banks or financial institutions had made any efforts for the recovery of the said amount before selling out the Assets; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) Reserve Bank of India (RBI) have reported that as per the statement furnished by Asset Reconstruction Company India Ltd. (ARCIL), as on December 31, 2004, the company has acquired NPAs of banks/Financial Institutions (FIs) having book value of Rs. 11,279.04 crore for a purchase consideration of Rs. 2490.98 crore.

(c) to (e) RBI have further reported that the banks in India have been provided with a menu of options for resolution of their impaired assets. Banks have the freedom to exercise one or more of the options for recovering their dues. The options are chosen on the basis of the chances and cost of recovery.The banks or FIs can sell their non-performing assets to Securitisation Companies/Reconstruction Companies (SC/RC) set up under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 besides taking up other available measures for recovery of NPAs. Three companies have been granted registration to commence the business of securitisation/asset reconstruction. ARCIL is the only company which has commenced the business and hence the banks/FIs have sold their NPAs to this company.